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MONTANA

PUBLIC EMPLOYEES' RETIREMENT SYSTEM HANDBOOK

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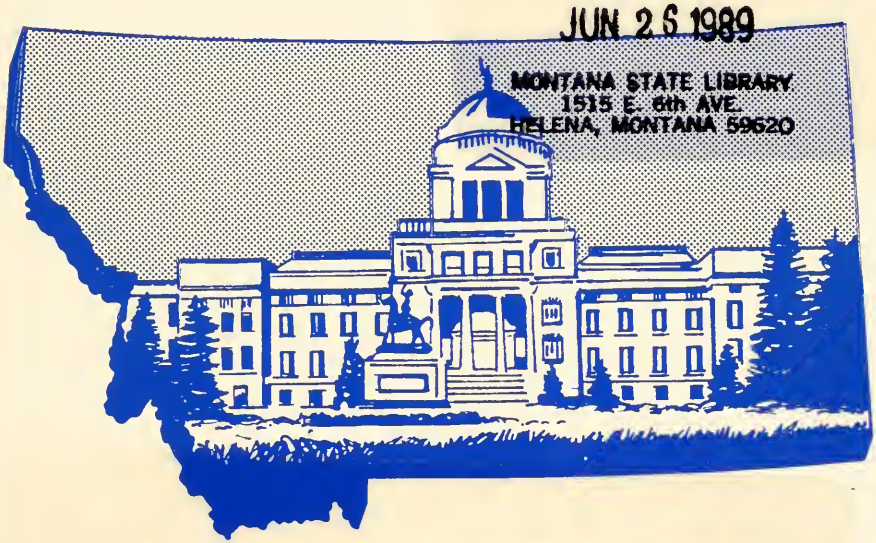

PLEASE RETURN

JANUARY 1989

DEPARTMENT OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT DIVISION

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INTRODUCTION

The purpose of this handbook is to provide you with basic information about your retirement plan.

Related data noted herein is based on the Public Employees' Retirement System Act, Title 19, Chapter 3, MCA, and rules and regulations contained in Chapter 43 of the Administrative Rules of Montana.

The information in this brochure may not answer all your questions about your retirement plan or cover all aspects of your retirement. A letter of inquiry to the Public Employees' Retirement Division is encouraged for specific questions.

BOARD MEMBERS

Name	Occupation	Location	Term Expires
Laurie Ekanger	Personnel Division Administrator Department of Administration	Helena	4/1/89
John L. Prebil	Deputy Director Department of Highways	Helena	4/1/90
E. J. McGreevey	Insurance Underwriter	Anaconda	4/1/91
Robert L. Batista	Cascade County Surveyor	Great Falls	4/1/92
Mona Jamison	Attorney in Private Practice	Helena	4/1/93
Troy W. McGee	Retired Public Employee	Helena	4/1/93

ADMINISTRATIVE OFFICERS

Larry Nachtsheim ..... Administrator

Linda King ..... Assistant Administrator

Beverly Brinkley ..... Benefits Bureau Chief

Joan Miller ..... Operations Bureau Chief

Stan Stephens, Governor

DEPARTMENT OF ADMINISTRATION
PUBLIC EMPLOYEES' RETIREMENT DIVISION
1712 NINTH AVENUE
HELENA, MONTANA 59620-0131
406/444-3154

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THESE BROCHURES ARE
AVAILABLE UPON REQUEST
from the

Department of Administration
Public Employees' Retirement Division
1712 Ninth Avenue
Helena, Montana 59620-0131
406/444-3154

I. ADMINISTRATION

The Public Employees' Retirement System (PERS) is administered by the six-member Public Employees' Retirement Board. The board sets policy and adopts administrative rules to carry out the enabling legislation which established the PERS. It approves retirement and death claims and rules on appeals of the membership. Board members include three active public employees, one retired public employee, and two members "at large." The Governor appoints members to the Board for staggered five-year terms.

The Public Employees' Retirement Division of the Department of Administration implements the policies, rules and laws governing this retirement system. The division collects, deposits and accounts for contributions to the system, maintains records of membership service, calculates and pays monthly and lump sum payments due members or their survivors, withholds and pays insurance premiums and withholding taxes, and counsels members about their benefits under the retirement system.

The Montana Board of Investments is charged with the actual investment of all state funds—including the PERS Trust Fund. One member of the Public Employees' Retirement Board is appointed by the Governor to also serve on the Board of Investments.

The benefits provided to members of this retirement system are financed from three sources: (1) contributions from employees; (2) contributions from employers; and (3) earnings on investments of the trust fund.

II. MEMBERSHIP

MANDATORY. Any person employed by a covered agency (state, county, city, school district, or other eligible public agency) for a period of at least 960 hours in any fiscal year, **must** become a member on the first day of employment.

A retired member returning to work for an agency covered by PERS for more than 60 working days in any calendar year shall be reinstated as an active member.

Ref: 19-3-401 and 403, MCA

ELECTIVE MEMBERSHIP. The following employees can elect to become members by filing an application for membership with the Public Employees' Retirement Board:

Elected Officials;

Persons who are employed at age 60 or older, with no previous creditable service;

Direct appointees of the Governor;

Employees of county hospitals and county rest homes in 6th and 7th class counties;

Persons employed for 6 months or less by the legislature or the legislative council to perform work related to the legislative session;

Persons who are employees of an agency contracting coverage under PERS and vote in the election for PERS membership, may elect to be excluded at the time the contract is approved. Persons employed by that agency after the system is in effect, do not have an option to be excluded. Employees who elected to be excluded and later terminate, must become a member if re-employed by a covered agency.

The chief administrative officer of any city or county may elect to be excluded from membership. Written application must be made to the Board within 30 days after initial employment by county or city.

Ref: 19-3-201 and 403, MCA

EXCLUSIONS

(a) Persons receiving credit in any other retirement or pension plans funded fully or partially by the United States government,

state government, or political subdivisions, except as provided for in Section 19-3-403, MCA. The purpose of this provision is to prevent a person from receiving credit for the same service in two retirement systems supported wholly or in part by public funds. (Social Security Benefits are not a part of this exclusion.)

(b) Inmates of state institutions who receive compensation from training or services performed within their capability.

(c) Independent contractors who do not possess a written contract that specifies an employer-employee agreement for the purpose of retirement coverage under the PERS.

(d) Employees not scheduled to work at least 960 hours in one fiscal year. A member so excluded from membership by this subsection may become a member by filing a written request to become a member. If the employee actually works 960 hours or more in any fiscal year, he **must** become a member and **retroactive** employer and employee contributions, **plus** interest, must be paid. Once a member, the employee must remain a member until such time as he terminates covered employment.

(e) Court commissioners or appointive members of any board or commission who serve the state or any contracting employer intermittently and are paid on a per diem basis.

(f) Full-time students employed at and attending the same public elementary school, high school, vocational-technical center or community college or any unit of the state university system. However, a student who at a later date becomes employed by a covered agency has the option to qualify the time previously excluded providing they file an application with the Public Employees' Retirement Board.

(g) All retirees employed for less than 60 working days in any calendar year. These former members must be reinstated into membership on the 61st working day in any calendar year unless they elect to return to membership prior to that day.

Ref: 19-3-403 & 1106, MCA

FEDERALLY SUBSIDIZED EMPLOYEES. A person whose compensation is paid either fully or in part from federal funds including a member of the Montana National Guard or Air National Guard who is not subject to the federal retirement system, may choose to be a member of the PERS.

Please contact the PERD office in order to determine if you qualify for this type of creditable service.

Ref: 19-3-402, MCA

III. SERVICE CREDITS

SERVICE CREDITS. For each month in covered employment, PERS members earn service credits which are used in the calculation of their retirement benefits. In addition, service credits may be purchased for retroactive, previously refunded, or active military service, and for service transferred from other Montana, federal and out-of-state public retirement systems.

CALCULATION OF SERVICE CREDITS. Since July 1, 1987, PERS members have been credited with one month service credit for each month in which they are compensated for at least 140 hours of service. Members working over 140 hours in a month will not earn more than 1 service credit for that month; however, members working less than 140 hours will receive proportional service credits (i.e., 70 hours = .5 month service credit; 20 hours = .14 month service credit).

For service prior to July 1, 1987, the following full-time equivalencies are used:

Until 6/30/75	2000 hrs./year = 12 months service credits
7/1/75 - 8/30/86	100 hrs./month = 1 month service credit
9/1/86 - 6/30/87	160 hrs. = 1 month service credit

BENEFIT FORMULA. In order to calculate the retirement benefit, all service credits earned or purchased are added together, divided by 12 (to annualize the service), and used in the following formula:

$1/60$ × **Service Credits** × Final Average Salary

Final Average Salary (FAS) is the average of the highest consecutive 36 months salary earned by the member.

SERVICE WITH A SCHOOL DISTRICT OR OTHER SEASONAL EMPLOYER. Some PERS members are employed on a 9-month or 10-month basis for a school district—or on a 3-month or 4-month basis for other public employers. Their service records and annual statements of account will reflect the **actual** service credits earned.

At the time of retirement, the actual service credits will be adjusted in the following manner. If a member is a full-time employee who worked the entire school (or other seasonal) term and had remained a member of PERS during the months between school terms (or seasonal employment), the service credits will be adjusted to a full 12-months for each fiscal year of such employment. If a member worked part-time for a school district or other seasonal employer, service credits will be adjusted to reflect the proportional share of the 12 months service (e.g., $1/2$ time for 9 month school year will be credited with 6 months service credits in the retirement formula).

EFFECT OF PART-TIME SERVICE. If a member retires with a **part-time** salary as his Final Average Salary (FAS), that person's part-time service will be adjusted to full-time service credits **when applied to the retirement formula** (service records and annual statements of account will show actual service credits earned). As can be seen from the following examples, this adjustment is necessary in order to provide equitable benefits for members retiring with a part-time Final Average Salary (FAS).

Abe Abner, age 60
Service: 30 years of half-time service (15 yrs. actual service credits)
FAS: $500/month (part-time salary)

Because his FAS is a part-time salary, his service credits are adjusted to 30 years, which results in the following monthly pension.

$1/60 \times 30 \times \$500 = \$250$/month pension

Betty Banker, age 60
Service: 30 years of full-time service (30 yrs. actual service credit)
FAS: $1000/month (full-time salary)

$1/60 \times 30 \times \$1000 = \$500$/month pension

Cindy Carter, age 60
Service: 20 years half-time; 10 years full-time (20 yrs. actual service credit)
FAS: $1000/month (full-time salary)

Because her FAS is a full-time salary, she receives 10 years of service credit for her 20 years of half-time service and 10 years of service credit for her 10 years of full-time service for a total of 20 years service credit.

$1/60 \times 20 \times \$1000 = \$333$/month pension

In Abe's case, if his retirement benefits for 30 years of half-time service had been calculated using 15 years in the formula, he would have received only 25% of what Betty will receive—even though he worked exactly 50% of the time she worked and paid 50% of the contributions Betty paid.

In Cindy's case, her FAS is based on a full-time salary so her service credits do not require adjustment in order to assure that she receives the full benefits to which she is entitled. Her pension is 66% of that paid to Betty. If her part-time service had been adjusted to full service credits this would have resulted in Cindy receiving the same benefit as Betty, even though Cindy only worked 66% of the time Betty worked and paid only 66% of the contributions that Betty paid.

IN NO CASE will a member **lose** retirement benefits if they move from part-time service to full-time service. However, no member will receive a windfall by having their retirement benefits calculated with both a full-time FAS and full-time service credits for periods of part-time service.

QUESTIONS. If you have any questions about your part-time, school district or seasonal employment—or anything else to do with your PERS benefits—please **contact the Public Employees' Retirement Division.** Other persons or agencies' interpretations of retirement law and rules may not be correct. Using "unofficial" information may result in projections which will not compare with the official estimates you receive from the retirement division.

RETROACTIVE SERVICE. An active member who has service with a covered employer which has not been credited may convert all or a portion of it to membership service, provided he has filed written notice of intent with the retirement board and payment has been made for the total employee and employer contributions that would have been contributed plus the accrued interest. The employer contribution may be paid by the employer or member, depending on employer policy.

To secure credit for service not previously credited, a member must submit to the Board salary information certified by his employer or former employer. Eligibility of all service credit will be determined by the Board.

Payment of contributions and interest due may be paid in one lump sum at the time the request is filed or by monthly installments.

Ref: 19-3-505, MCA

DISABILITY ABSENCE. A member who received workers' compensation for absences from service due to illness or injury, may qualify that service time upon reinstatement to his position, providing:

- The absence does not exceed 5 years;
- The illness or injury is determined to be work-related within 1 year after the end of such absence;
- The member files written notice of his intent with the Board after returning to service.

Employee contributions may be made in one lump sum or on an installment basis. The amount of contributions due is determined by the amount the member would have paid had he not been absent from service, plus interest accruing from 1 year after the date he returns to covered employment. If the employer elects not to pay the accrued interest on the employer share of the contribution, that amount must then be paid by the member.

A member absent from service due to illness or injury loses the right to contribute if his normal contributions have been refunded.

Ref: 19-3-504, MCA

ELECTIVE SERVICE. In addition to the above regular service, members may be eligible to qualify the following types of service into PERS:

- **Active military service**
- **Previous military service (up to 5 years)**
- **Refunded service from any Montana public retirement system**
- **Refunded out-of-state or federal service which was covered by another public retirement system (up to 5 years)**
- **Other full-time Montana public service**

In general, to qualify these types of service, the member must contact the retirement division, in writing, stating the type of service he wishes to qualify and providing documentation of the service to be qualified. The retirement division will review his request and send him a cost statement for qualifying any eligible service.

While the member may qualify eligible service at any time prior to retirement, the longer he waits to do so after initial eligibility, the more interest will be owed on the purchase of the service time.

MEMBERSHIP APPLICATION. Each contributing employee must complete a membership card upon employment, name change, or change of beneficiary. The employer must forward the completed card to the Public Employees' Retirement Division.

No benefit will be paid, or refund of contributions made, unless the PERD has a completed membership card in their files. Primary and contingent beneficiaries should be named and kept current by the member. Marriage, children, divorce, or death of a beneficiary, could all be reasons for change of beneficiaries.

Ref: 19-3-1301, MCA

IV. CONTRIBUTIONS

MEMBER'S CONTRIBUTION. Members currently pay a 6% contribution which is withheld from their gross compensation prior to receiving their paychecks. These mandatory contributions are **not** subject to state or federal withholding or income taxes until actually received (in the form of a refund or benefit).

Each member's contribution is deposited in his individual account and accrues interest. Since 7/1/87 the interest rate has been 7.25%.

Ref: 19-3-701, MCA

EMPLOYER'S CONTRIBUTION. Each month the employer contributes to the PERS 6.417% of the total covered payroll. Employer contributions provide funds for retirements, disability and death benefits and are **not** refundable.

Ref: 19-3-801, MCA

REFUND OF CONTRIBUTIONS ON TERMINATION OF SERVICE. A member whose service has been terminated may elect to withdraw his accumulated contributions, including the accrued interest, provided he makes a written request on an application furnished by the employer. It is **IMPORTANT** the member making the request read the reverse side of the application and understands the waiting period that occurs before refunds can be made.

Ref: 19-3-703, MCA

REINSTATEMENT OF MEMBERSHIP AFTER WITHDRAWAL OF CONTRIBUTIONS — REDEPOSIT OF CONTRIBUTIONS. Any individual who is employed by a contributing agency after he has previously withdrawn his contributions upon a termination is eligible for reinstatement as a member without credit for the previously refunded service. A new membership card must be filed, complete with beneficiary information. Upon reinstatement, a member may choose to buy back any previous service credit by redepositing the refunded contributions, plus the interest which would have accrued had the contributions remained on deposit. (Such contributions are not tax deductible.)

Ref: 19-3-704, MCA

V. SERVICE AND EARLY RETIREMENT

SERVICE RETIREMENT. A member is eligible for full service retirement benefits when he reaches **any one** of the following:

1. Age 60 with a minimum of 5 years of creditable service, OR
2. Age 65, regardless of the number of years of creditable service, OR
3. 30 years or more of creditable service, regardless of age.

Ref: 19-3-901, MCA

EARLY RETIREMENT. A member who has not reached age 60 or completed 30 years of service may retire as early as age 50 if he has completed at least 5 years of service. Early retirement is also available for those members who have a minimum of 25 years of service, regardless of age.

Early retirement benefits are reduced by a factor which depends upon the number of years before the member would reach age 60 or 30 years of service, whichever results in the large benefit. (See Table II on page 21)

Ref: 19-3-902 and 906, MCA

APPLICATION FOR EARLY AND SERVICE RETIREMENT: Written notification should be submitted by the member to the PERD at least 3 months before the anticipated retirement date. No estimate will be made more than 6 months in advance of an anticipated retirement date because there is no assured method of projecting salaries or service credits further into the future. For retirement anticipated beyond the 6 month limit, a member can estimate benefits from Tables II and III of this brochure.

After receipt of an estimate of retirement options available, a member with any questions should contact the PERD in writing. All questions received in writing will receive a written reply.

A retiree will receive his first retirement benefit payment approximately 30 days following the effective date of retirement. However, the initial payment may have to be estimated, depending on the date the retiree's final salary certification is received by PERD from the employing agency.

Any retiree receiving a service retirement allowance may return to covered employment for a period **not to exceed 60 working days** in any **calendar year.** The retirement allowance of a retiree so employed will be reduced by $1 for each $3 earned in excess of $5,000 for each calendar year.

Ref: 19-3-903 and 1106, MCA

VI. DISABILITY RETIREMENT

DEFINITION. "Disability" means disability of a **permanent** nature or of **extended and uncertain** duration as determined by the Board on the basis of competent medical opinion.

Ref: 19-3-104, 1001 and 1003, MCA

ELIGIBILITY. A member with 5 or more years of service who is not otherwise eligible for a service retirement may apply for a disability retirement.

A member, age 60 or older, who has completed 5 years of creditable service and has had a duty-related accident forcing him to terminate his employment, but who has not received or is ineligible to receive workers' compensation benefits, may conditionally waive his eligibility for a service retirement in order to be eligible for disability retirement. The waiver

is effective only upon approval by the Board of the application for disability retirement.

Ref: 19-3-1002, MCA

APPLICATION FOR DISABILITY RETIREMENT. Members must submit a written request for an estimate of retirement benefits. The following information must be provided when requesting an estimate:

- Last day of employment
- Birthdate of member
- Birthdate of beneficiary
- Brief description of disability
- Address where you wish the information to be mailed.

With this estimate, the member will receive:

- Disability claim form
- Personal physician's statement form
- Employer job description form

A claim may be filed on a member's behalf by any other person, including the employer or the Board, upon its own motion. The personal physician's statement must be completed and submitted **directly to the PERD office by the medical doctor.** A claim must be made within 4 months after the member's discontinuance of service unless the member is continuously disabled from the last date of service to the date the application is filed.

After the Board has received all required forms, including any additional physicians' statements it may deem necessary, the Board will act on the application for disability retirement. No benefits will be paid until **after** the member actually **terminates** covered employment.

Ref: 19-3-1003 and 1005, MCA

CANCELLATION OF DISABILITY RETIREMENT. The Board will terminate disability benefits if:

- The Board determines the retiree is able to return to his original employment or a similar position, whichever is first open.
- The disabled retiree is reemployed by a covered employer.
- The retiree refuses to submit to a medical examination or to return to covered employment upon recovery.

If a disabled retiree should engage in a gainful occupation for an employer not covered by PERS, his retirement allowance shall be reduced to an amount which, when added to the outside earnings, shall not exceed the amount of his compensation at the time of his retirement. If a person has been retired on a disability pension for at least 3 years, he

may petition the Board to adjust for inflation the amount of his compensation at retirement for purposes of determining the amount of outside income which can be earned before a reduction in his disability benefits takes place.

Ref: 19-3-1102, 1103 and 1104, MCA

VII. VESTED RIGHT

Any member terminating employment after completing 5 years or more creditable service may elect to leave his contributions on deposit and receive a retirement benefit commencing as early as age 50.

VIII. RETIREMENT BENEFIT AMOUNTS

BASIC FORMULA

$^1/_{60}$ × Service Credits × FAS = monthly allowance

FAS (Final Average Salary) means the 36 highest consecutive months' salary, divided by 36. Lump sum payments for sick and vacation accrual are included in FAS calculations only to the extent that they can be used to **replace** (on a month-for-month basis) lower monthly compensation in the 36 month FAS period.

Ref: 19-3-104 and 904, MCA

OPTIONS.

Option 1 is the benefit computed using the basic formula and provides the maximum monthly retirement allowance payable to the retiree for the remainder of his life. If, at the time of his death, any balance remains when the total retirement benefits already paid are subtracted from the total amount of contributions and interest that were on deposit at the time of retirement, that amount shall be paid to the beneficiary in a lump sum ending all monthly payments. **(See Estimate Table 1, Pg. 20 & 21).**

Option 2 — provides a reduced monthly benefit payable as long as the member or his beneficiary lives. **Option 2 is computed using the Regular Retirement Amount × Option 2 factor in Table III. (Pg. 22).**

Option 3 provides that the retiree would receive a lesser monthly allowance than the regular retirement allowance. In the event the retiree precedes the beneficiary in death, the beneficiary would receive $^1/_2$ of the retiree's monthly allowance. **Option 3 is computed using the Regular Retirement Amount × Option 3 factor in Table III. (Pg. 22).**

Option 4 is defined in statute as "such other actuarially equivalent benefit as may be approved by the board." The Public Employees' Retirement Board has recently approved two such retirement benefits which may be selected by PERS members. Both are paid for the life of the retiree, but with a guaranteed minimum period of duration. Therefore, if the retiree dies prior to that minimum period, the beneficiary will continue to receive that benefit until the guaranteed minimum period expires. If the retiree draws benefits for longer than the guaranteed minimum period, the beneficiary is not entitled to monthly survivorship benefits upon the retiree's death.

LIFE ANNUITY, 10-YEAR PERIOD CERTAIN. (Available to those 79 years of age or younger.) The Option 1 (regular retirement) amount is reduced by applying the fixed factor of .9612. The resulting annuity will be paid to the retiree for as long as he or she lives. If the retiree draws monthly benefits for less than 10 years (120 months), the beneficiary will be paid monthly benefits for the balance of the 10-year period. The beneficiary, in turn, is able to designate their own beneficiary to continue to receive monthly benefits for any remaining balance of the period certain (to cover the possibility that the first beneficiary will not live long enough to draw all the guaranteed benefits). Benefits cease to be paid to a beneficiary at the end of the 10-year period from the original retirement date.

LIFE ANNUITY, 20-YEAR PERIOD CERTAIN. (Available to those 65 years of age, or younger.) The Option 1 amount is reduced by applying the fixed factor of .8956. The resulting annuity will be paid to the retiree, for life. If the retiree lives for less than 20 years (240 months), the beneficiary will continue to be paid the same monthly benefit for the balance of the 20-year period. The beneficiary, in turn, is able to designate their own beneficiary to continue to receive monthly benefits for any remaining balance of the period certain (to cover the possibility that the first beneficiary will not live long enough to draw all the guaranteed benefits). Benefits cease to be paid to a beneficiary at the end of the 20-year period which began on the original retirement date.

CHANGE OF OPTIONS OR BENEFICIARY. Upon written request to the Board, a retired member who is receiving an optional retirement allowance may designate a different beneficiary, select a different option, or convert their optional retirement allowance to a regular retirement allowance **if** the **original beneficiary has died** or the member has been **divorced from the original beneficiary** and the original beneficiary has **not** been granted the right to receive the optional retirement allowance as part of the divorce settlement.

Please contact the PERD for estimates of any new retirement allowances for which you may be eligible.

Ref: 19-3-904, and 1101, MCA

COST OF LIVING INCREASES. Benefit increases are provided only through specific legislative action. The last nine legislatures have granted cost-of-living increases to PERS retirees.

Ref: 19-3-905, Compiler's Comments, MCA

IX. DEATH BENEFITS

ELIGIBILITY. The Board shall grant a death benefit to the beneficiary of member or retiree who dies while in one of the following statuses:

- While in active service
- Within 4 months after discontinuance of service but before beginning to receive retirement benefits.
- While a recipient of a disability allowance, if such allowance has been in effect less than 4 months.
- While disabled, if he has been continuously so disabled from the discontinuance of his service but is not receiving a retirement allowance because of the disability.
- After retirement and within 30 days from the date of his election of an optional retirement allowance. The election is then void and the death is considered as that of a member before retirement.

If a member's beneficiary is convicted of knowingly, purposely, or intentionally causing the member's death, the beneficiary is not entitled to receive a death benefit. However, survivorship benefits may be payable to other kin as provided by law.

Ref: 19-3-1101 and 1201, MCA

BENEFICIARY RIGHT TO CHOOSE AN OPTIONAL DEATH BENEFIT. The beneficiary is entitled to either a lump sum death benefit which consists of 1 month's salary for each year of service up to a maximum of 6 months salary, plus the contributions and interest the member had on deposit, including the accumulated interest on these amounts figured to the first day of the month in which the benefit is paid.

OR

If the member had a minimum of 5 years of service, the beneficiary may elect a monthly annuity based on the salary and service of the member.

Ref: 19-3-1202 and 1204, MCA

ADVISE YOUR BENEFICIARY TO CONTACT THE PERD OFFICE IN THE EVENT OF YOUR DEATH FOR SURVIVORSHIP INFORMATION.

DESIGNATION OF BENEFICIARY. The beneficiary may be any living person selected by the member, a charitable organization or a trust for a natural living person. A written designation of the beneficiary must be filed with the board. The member may change his beneficiary at any time prior to retirement.

If no living beneficiary is named, the estate of the member becomes the beneficiary. If no probate of the estate is in order, except for the amount due from the retirement system, all amounts due, including allowances accrued but not received prior to death, shall be paid directly to the next of kin or guardian of the survivor's estate on a share and share alike basis in the following order:

(a) Husband or wife;
(b) Children;
(c) Father and mother;
(d) Grandchildren;
(e) Brothers and sisters;
(f) Nieces and nephews.

Payments will be issued only after persons in any of the before stated groups have furnished the board with an affidavit on a form supplied by the Board, stating there are no living persons in any groups preceding it and that the estate will not be probated. At the time of payment, the account shall be closed.

If any benefit from the system is payable to a minor, the benefit must be paid to one of the following:

— A surviving parent, if any;
— A parent awarded custody of the minor in a divorce proceeding;
— A custodian designated under Title 72, Chapter 26, MCA;
— A guardian appointed pursuant to Title 72, Chapter 5, part 2, MCA; or
— A conservator appointed pursuant to Title 72, Chapter 5, part 4, MCA.

Such payment shall be in full and complete discharge and acquittance of the Board and system on account of said benefit. The person named above shall account to the minor for the money when the minor reaches the age of majority.

Ref: 19-3-1301, 1302 and 1304, MCA

BE SURE YOUR DESIGNATED BENEFICIARIES ARE CURRENT AND CORRECT.

X. TAXES

STATE INCOME TAXES. Since July 1, 1985, the "employer pick-up" provisions of state law have permitted income taxes to be **deferred** on the portion of your salary equal to your employee retirement contributions. The amount of taxable wages reported on your W-2 each year will **not** include your 6.0% contributions to the PERS. If you leave covered employment and elect to receive a lump-sum refund of your accumulated contributions, your tax-deferred contributions will become taxable when you actually receive the refund.

The interest paid to you on your account is **not** taxable income on your Montana state income tax returns. Monthly retirement or disability **benefits** are **not** taxable income on Montana state income tax returns.

FEDERAL INCOME TAXES.

Refunds. When you elect to receive a lump sum refund of your accumulated contributions, you must pay federal income taxes on any tax-deferred contributions deposited into your account after July 1, 1985 **and** any **interest** which has accrued to your account over the entire period of your membership. **In addition,** if your refund is made prior to age 59-1/2, you will also be required to pay an additional **10% federal tax penalty** for the early withdrawal of the previously tax deferred contributions and interest. (This penalty will not be charged if you terminated employment after reaching age 55 with at least 5 years of service, or because you became disabled, or because of your death.)

Retirement Benefits. Beginning your first year of retirement, your monthly retirement benefits are taxed as ordinary income on your federal tax return to the extent they exceed your **"Investment in Contract"** — the amount of your already-taxed contributions toward your retirement benefits. A portion of each benefit received during your lifetime (or during your surviving beneficiary's lifetime) will be **excludable** from your gross income each tax year. Please see IRS Publication 575 for complete details.

FEDERAL WITHHOLDING TAX. Monthly retirement benefits of $450 or more may be subject to federal income tax withholding, but a retiree **may elect not to have any taxes withheld.** Each year, prior to December 31, retirees will receive a "Benefit Recipient's Withholding Certificate. Using this form, retirees or their beneficiaries will be able to elect if, and how much, they want withheld from their monthly retirement checks for federal taxes. If you elect not to have taxes withheld, you may be required to file quarterly estimated taxes with the IRS.

FEDERAL AND STATE TAX INFORMATION. IRS Form **W-2P** will be mailed to each retiree (or survivor) no later than the last working day of January each year. This form shows the total benefits received and any federal income taxes withheld during the previous year.

IRS Form **1099R** will be mailed to each terminated member who received a lump sum refund of their contributions and interest. The amount shown as ordinary income on this form will be the sum of the employer picked-up portion of the employee's contributions **and** any interest paid and will be subject to **federal income taxes** that year. This amount may also be subject to the additional 10% federal tax penalty for early withdrawal.

Montana Form **6104** will also be sent to terminated members who received a lump sum refund of their accumulated contributions and will indicate the portion of the refund which has been reported as **state income** and subject to **Montana state income taxes** that year. This amount will be different than the amount listed on the federal form 1099R and care should be exercised not to confuse the two.

ROLLOVER OF REFUND. Upon receipt of a lump sum refund, terminated members will be notified exactly how much of that refund has not previously been included in their taxable income for any previous tax year. If, **within 60 days of receipt** of this refund, you deposit that amount into another qualified plan or IRA, the amount redeposited will **not** have to be included in your taxable income during the year and may continue to be deferred until actually received. Transferring this amount to another qualified plan or IRA will not be subject to the annual limits which otherwise exist on the amount you may deposit to an IRA.

XI. GENERAL PROVISIONS

TEMPORARY WORK REDUCTIONS. PERS members whose hours were temporarily reduced from 40 hours a week to less than 40 hours a week as a result of a temporary budget deficit on or after January 1, 1986 and who were employees on April 2, 1987, will be able to receive full service credits for months in which they worked less than full-time. (This provision terminates on June 30, 1989.)

If the reduction in hours resulted in a salary reduction during a member's final average salary (FAS) computation period, the member will be able to purchase full salary credit for that period after providing certification to the retirement division that the reduction was a result of a temporary budget deficit. The retirement division will provide a cost statement for the purchase of a full salary credit to the member. Upon payment of the

member's share, plus any interest, the employer will be billed for the employer share, plus interest. If the employer elects not to pay interest, this will become the employee's obligation. Upon full payment, full salary credit will be used in calculating service retirement benefits.

Ref: 19-3-308, MCA

STATEMENTS OF ACCOUNT. Each fall, individual statements of account are sent to employers for distribution to their active member employees. Those reports list the contributions made to the member's account during the fiscal year, interest credited to the account, and a total as of June 30. The statement also lists the number of months of total service credited to the member, along with a report of the most current beneficiary elected by the member.

These statements are for informational purposes, only, but if a member finds an error in this statement, he should contact the retirement division (in writing) to ensure the information on file is correct.

WITHHOLDING OF GROUP INSURANCE PREMIUMS. A retiree who continues his participation in an employee group insurance plan sponsored by his former employer may elect to have the monthly premium withheld from his monthly benefit check and paid directly to the insurance carrier. No withholding may be made for any other group or individual insurance plans.

Ref: 19-3-1404, MCA

EXEMPTION FROM TAXES, NON-ASSIGNABILITY AND PROTECTION FROM LEGAL PROCESS. Benefits or refunds payable to members or their beneficiaries are exempt from any state, county, or municipal tax (except for a refund of a member's contributions picked up by an employer after June 30, 1985), attachment, garnishment, execution, or any other process whatsoever, and are unassignable except as specifically provided in the statutes.

Ref: 19-3-105, MCA

QUESTIONS. Members are encouraged to stop by the Public Employees' Retirement Division (PERD) in Helena (Monday through Friday, 8 am to 5 pm) about any questions they may have regarding their retirement system. For your protection, you should **write** any question(s) requesting **specific** information about your retirement options or credited service and the division will provide a written response upon which you can base your retirement decisions.

XII. SAMPLE RETIREMENT CALCULATIONS

SERVICE RETIREMENT

RETIREE: Age 62
Service: 20 Years (full-time)
Final Average Salary (FAS): $1,500/month
Beneficiary, Age 60

FORMULA: 1/60 × SERVICE × FINAL AVERAGE SALARY
1/60 × 20 × $1,500 = **$500/MONTH**

OPTION 1: $500/MONTH FOR LIFE OF RETIREE

Upon death of retiree, any remaining balance of contributions and interest will be paid to designated beneficiary or the estate of the retiree.

OPTION 2: $500/MONTH × OPTION 2 FACTOR
$500 × .8713 = **$435.65/MONTH**

Paid to retiree for life; upon death of retiree, same amount will be paid to beneficiary, for life.

OPTION 3: $500/MONTH × OPTION 3 FACTOR
$500 × .9312 = **$465.60/MONTH**

Paid to retiree for life; upon death of retiree, the beneficiary will receive 1/2 the amount paid to the retiree at the time of death, for as long as the beneficiary shall live.

OPTION 4: $500/MONTH × OPTION 4 FACTORS
(10 YR = .9612; 20 YR = .8956)
10 YR.: $500 × .9612 = **$480.60/MONTH**
OR
20 YR.: $500 × .8956 = **$447.80/MONTH**

Either annuity is paid to retiree, for life. If the retiree dies before the 10- or 20-year period is completed, the designated beneficiary will continue to receive the annuity for the balance of the 10- or 20-year period certain.

All retirement benefits may be increased by Cost-of-Living Adjustments (COLA's) enacted by the Legislature.

EARLY RETIREMENT

RETIREE: Age 55
Service: 20 Years (full-time)
Final Average Salary (FAS): $1,500/month
Beneficiary, Age 53

FORMULA: 1/60 × SERVICE × FAS × EARLY RETIREMENT FACTOR

1/60 × 20 × $1,500 × .70 = **$350/MONTH**

OPTION 1: $350/MONTH FOR LIFE OF RETIREE

Upon death of retiree, any remaining balance of contributions and interest will be paid to designated beneficiary or the estate of the retiree.

OPTION 2: $350/MONTH × OPTION 2 FACTOR

$350 × .8713 = **$304.96/MONTH**

Paid to retiree for life; upon death of retiree, same amount will be paid to beneficiary, for life.

OPTION 3: $350/MONTH × OPTION 3 FACTOR

$350 × .9312 = **$325.92/MONTH**

Paid to retiree for life; upon death of retiree, the beneficiary will receive 1/2 the amount paid to the retiree at the time of death, for as long as the beneficiary shall live.

OPTION 4: $350/MONTH × OPTION 4 FACTORS

(10 YR = .9612; 20 YR = .8956)

10 YR.: $350 × .9612 = **$336.42/MONTH**

OR

20 YR.: $350 × .8956 = **$313.46/MONTH**

Either annuity is paid to retiree, for life. If the retiree dies before the 10- or 20-year period is completed, the designated beneficiary will continue to receive the annuity for the balance of the 10- or 20-year period certain.

All retirement benefits may be increased by Cost-of-Living Adjustments (COLA's) enacted by the Legislature.

TABLE I. SERVICE RETIREMENT
OPTION I MONTHLY RETIREMENT ALLOWANCE
(Age 60 and Over or at least 30 yrs. service)

Years of Service	FINAL AVERAGE SALARY (AVERAGE OF 36 HIGHEST CONSECUTIVE MONTHS' SALARY)															
	$500	$600	$700	$800	$900	$1000	$1100	$1200	$1300	$1400	$1500	$1600	$1700	$1800	$1900	$2000
5	$ 41	$ 50	$ 58	$ 66	$ 75	$ 83	$ 91	$100	$108	$116	$125	$133	$141	$150	$158	$ 166
6	50	60	70	80	90	100	110	120	130	140	150	160	170	180	190	200
7	58	70	81	93	105	116	128	140	151	163	175	186	198	210	221	233
8	66	80	93	106	120	133	146	160	173	186	200	213	226	240	253	266
9	75	90	105	120	135	150	165	180	195	210	225	240	255	270	285	300
10	83	100	116	133	150	166	183	200	216	233	250	266	283	300	316	333
11	91	110	128	146	165	183	201	220	238	256	275	293	311	330	348	366
12	100	120	140	160	180	200	220	240	260	280	300	320	340	360	380	400
13	108	130	151	173	195	216	238	260	281	303	325	346	368	390	411	433
14	116	140	163	186	210	233	256	280	303	326	350	373	396	420	443	466
15	125	150	175	200	225	250	275	300	325	350	375	400	425	450	475	500
16	133	160	186	213	240	266	293	320	346	373	400	426	453	480	506	533
17	141	170	198	226	255	283	311	340	368	396	425	453	481	510	538	566
18	150	180	210	240	270	300	330	360	390	420	450	480	510	540	570	600
19	158	190	221	253	285	316	348	380	411	443	475	506	538	570	601	633
20	166	200	233	266	300	333	366	400	433	466	500	533	566	600	633	666
21	175	210	245	280	315	350	385	420	455	490	525	560	595	630	665	700
22	183	220	256	293	330	366	403	440	476	513	550	586	623	660	696	733
23	191	230	268	306	345	383	421	460	498	536	575	613	651	690	728	766
24	200	240	280	320	360	400	440	480	520	560	600	640	680	720	760	800

25	208	250	291	333	375	416	458	500	541	583	625	666	708	750	791	833
26	216	260	303	346	390	433	476	520	563	606	650	693	736	780	823	866
27	225	270	315	360	405	450	495	540	585	630	675	720	765	810	855	900
28	233	280	326	373	420	466	513	560	606	653	700	746	793	840	886	933
29	241	290	338	386	435	483	531	580	628	676	725	773	821	870	918	966
30	250	300	350	400	450	500	550	600	650	700	750	800	850	900	950	1000

TABLE II. EARLY RETIREMENT FACTORS

If not eligible for regular retirement,
apply the following factors to the appropriate monthly allowance shown above.

If eligible for early retirement in **both** age and service categories, use the factor which provides the **larger** benefit.

Age	Factors
60	1.000
59	.940
58	.880
57	.820
56	.760
55	.700
54	.664
53	.628
52	.592
51	.556
50	.520

Years of Service	Factors
30	1.00
29	.94
28	.88
27	.82
26	.76
25	.70

TABLE III. OPTION 2 & 3 RETIREMENT FACTORS

Instructions: Multiply the Regular or Early Option I Retirement Benefit by the applicable factor for Options 2 and 3.

	Age Difference in Years	Factors Option 2	Factors Option 3
Member Older Than Beneficiary	15	.8167	.8991
	14	.8202	.9012
	13	.8239	.9034
	12	.8277	.9057
	11	.8316	.9081
	10	.8357	.9105
	9	.8398	.9129
	8	.8440	.9154
	7	.8484	.9180
	6	.8528	.9206
	5	.8573	.9232
	4	.8619	.9258
	3	.8666	.9285
	2	.8713	.9312
	1	.8761	.9340
	0	.8810	.9367
Member Younger Than Beneficiary	1	.8858	.9395
	2	.8907	.9422
	3	.8957	.9450
	4	.9006	.9477
	5	.9055	.9504
	6	.9103	.9530
	7	.9151	.9557
	8	.9198	.9582
	9	.9244	.9607
	10	.9289	.9631
	11	.9333	.9655
	12	.9375	.9677
	13	.9416	.9699
	14	.9455	.9720
	15	.9492	.9739

HB 234 -- Formula Change

-- From "1/60" to "1/56" -- approximately **7.14% increase** for all those initially retiring after 4/15/89.

-- Retirees under the old formula who return to work must work for at least 2 years in order to take advantage of the formula change and then the new formula will be in effect only for the additional service after 4/15/89.

-- Eligibility for early and regular service retirement remains the same.
-- e.g., 50% of FAS at 28 years of service **only if age 60 or older**

-- Contribution rates change:

	Employee	Employer
7/1/89	6.15%	no change (6.417%)
7/1/90	6.30%	n/c
7/1/91	6.417%	n/c
7/1/92	6.55%	6.55%
7/1/93	6.70%	6.70%

Option 1: Monthly Retirement Allowance*
(Age 60 and Over OR at least 30 years Service)

(*Rounded to nearest whole dollar)

Years of Service	FINAL AVERAGE SALARY (FAS)												
	$1,000	$1,100	$1,200	$1,300	$1,400	$1,500	$1,600	$1,700	$1,800	$1,900	$2,000	$2,100	$2,200
5	89	98	107	116	125	134	143	152	161	170	179	188	196
6	107	118	129	139	150	161	171	182	193	204	214	225	236
7	125	138	150	163	175	188	200	213	225	238	250	263	275
8	143	157	171	186	200	214	229	243	257	271	286	300	314
9	161	177	193	209	225	241	257	273	289	305	321	338	354
10	179	196	214	232	250	268	286	304	321	339	357	375	393
11	196	216	236	255	275	295	314	334	354	373	393	413	432
12	214	236	257	279	300	321	343	364	386	407	429	450	471
13	232	255	279	302	325	348	371	395	418	441	464	488	511
14	250	275	300	325	350	375	400	425	450	475	500	525	550
15	268	295	321	348	375	402	429	455	482	509	536	563	589
16	286	314	343	371	400	429	457	486	514	543	571	600	629
17	304	334	364	395	425	455	486	516	546	577	607	638	668
18	321	354	386	418	450	482	514	546	579	611	643	675	707
19	339	373	407	441	475	509	543	577	611	645	679	713	746
20	357	393	429	464	500	536	571	607	643	679	714	750	786
21	375	413	450	488	525	563	600	638	675	713	750	788	825
22	393	432	471	511	550	589	629	668	707	746	786	825	864
23	411	452	493	534	575	616	657	698	739	780	821	863	904
24	429	471	514	557	600	643	686	729	771	814	857	900	943
25	446	491	536	580	625	670	714	759	804	848	893	938	982
26	464	511	557	604	650	696	743	789	836	882	929	975	1,021
27	482	530	579	627	675	723	771	820	868	916	964	1,013	1,061
28	500	550	600	650	700	750	800	850	900	950	1,000	1,050	1,100
29	518	570	621	673	725	777	829	880	932	984	1,036	1,088	1,139
30	536	589	643	696	750	804	857	911	964	1,018	1,071	1,125	1,179

EARLY RETIREMENT FACTORS

AGE	FACTOR	AGE	FACTOR	: OR :	YEARS OF SERVICE	FACTOR
59	.940	54	.664		29	.94
58	.880	53	.628		28	.88
57	.820	52	.592		27	.82
56	.760	51	.556		26	.76
55	.700	50	.520		25	.70

HB 235 -- "1-for-5" Service Purchase

-- PERS members **employed prior to 7/1/89** may purchase **1 full year** of additional service for each **5 full years** of PERS membership service

-- Service can be purchased any time prior to retirement.

-- Cost is **13.4%** of gross salary earned during **immediately preceding** 12 months per year of service being purchased.

-- PERS members choosing a **monthly payment plan** are eligible to purchase **1 year** of additional service at a time. Once they pay for the full year, they can request a new cost statement for any additional years for which they may be eligible. Monthly payments will include interest at the current rate.

-- This is not membership service and can not be used to make a member **eligible** to retire; a member must have either reached age 50 with 5 years of service, or have 25 years of membership service in order to retire -- e.g., a member who is age 47 with 21 years of service is eligible to purchase 4 years, but can not retire until at least age 50.

-- This service can be used to **reduce or eliminate an early retirement reduction** -- e.g., a member who has 25 years of service is eligible to purchase 5 years of service and retire with a regular service retirement benefit of 30/56's X FAS.

-- **After January 1, 1990,** PERS members can purchase a combined maximum of 5 years of Military, Out-of-State, and "1-for-5" service into PERS. Any service **actually paid** for prior to 1/1/90 will not be included in the 5-yr. limitation in effect after that date.

-- Members must contact the PERD **in writing** to request cost statements for purchasing this service.

-- **Example Purchase:** Member, age 50
25 years of service
12 Months preceding salary: $25,000
FAS: $2,000/mo.
Cost to purchase 5 years: 13.4% x $25,000 x 5 = $16,750

Retirement Benefit (Option 1)	without purchase:	after purchase:
	1/56 X 25 X $2,000 X .70 = $625/month	1/56 X 30 X $2,000 = $1,071.43/month

Difference: $446.43/month for life (over $187,000 more by age 85)
(It will take a little over 3 years to get the initial cost back.)

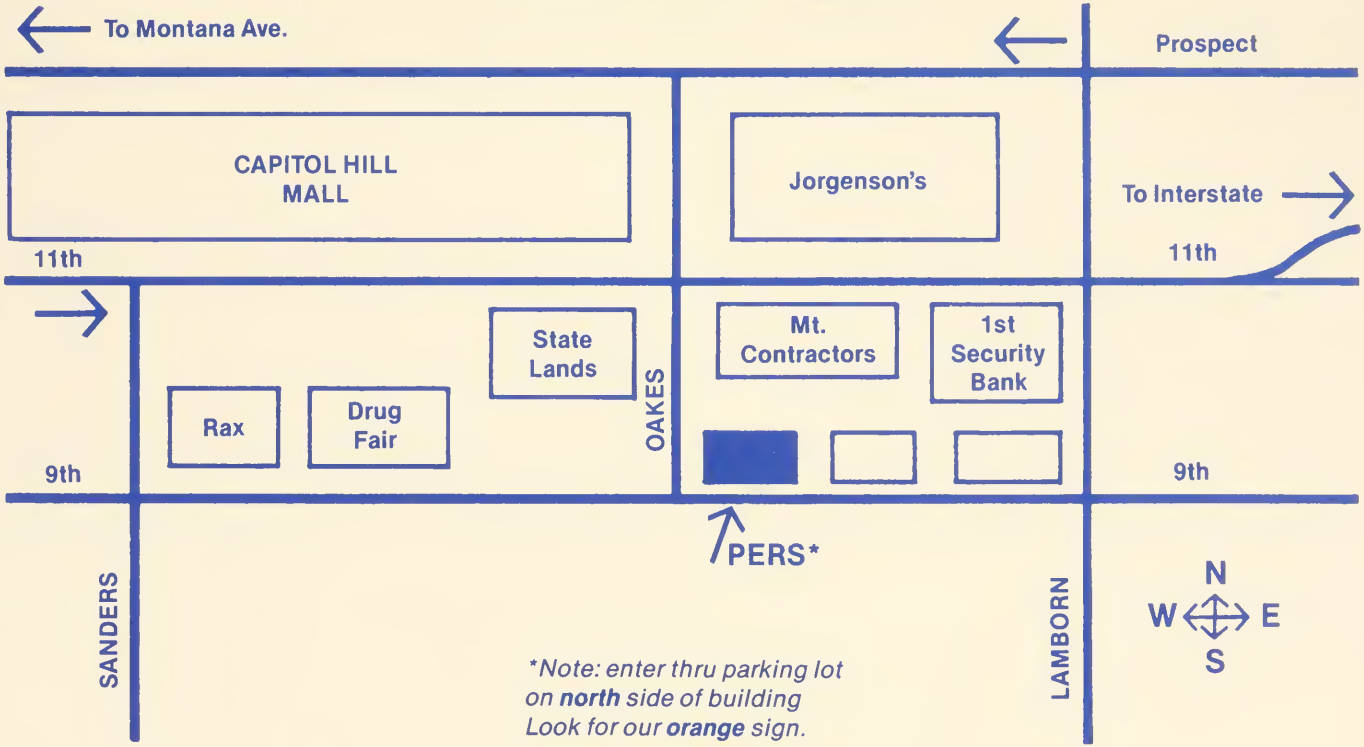
-- **Example Purchase:** Member, age 60
25 years service
12 Months preceding salary: $25,000
FAS: $2,000/mo.
Cost to purchase 5 years: $16,750

Retirement Benefit (Option 1)	without purchase:	after purchase:
	1/56 X 25 X $2,000 = $892.86/mo	1/56 X 30 X $2,000 = $1,071.43/mo

Difference: $178.57/month for life ($53,571 by age 85)
(It will take about 8 years to get the initial cost back.)

NOTES OR CALCULATIONS

HOW TO FIND US IN HELENA:



*Note: enter thru parking lot on **north** side of building Look for our **orange** sign.

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